

## MEMORANDUM

**TO:** Missouri Public Service Commission  
Official Case File, File No. WA-2023-0398  
Confluence Rivers Operating Company, Inc.

**FROM:** Alexis L. Branson – Auditing Department  
Ashley Sarver – Auditing Department  
Charles Tyrone Thomason – Customer Experience Department  
Kelli McKinley – Financial Analysis Department  
Andrew Harris, PE – Water, Sewer, and Steam Department  
Keri Roth – Water, Sewer, and Steam Department

/s/ Keri Roth 09/12/2023  
Case Manager / Date

**SUBJECT:** Staff’s Recommendation to Approve Request for Certificate of Convenience and Necessity

**DATE:** September 12, 2023

### CASE BACKGROUND

On May 24, 2023, Confluence Rivers Utility Operating, Inc. (“Confluence”) filed an *Application and Motion for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”) for a Certificate of Convenience and Necessity (“CCN”) authorizing it to construct, install, own, operate, maintain, control, and manage water and sewer systems for the public and to acquire substantially all of the system assets that are presently owned by Lincoln County Water & Sewer, LLC (“LCWS”). The Commission does not currently regulate the LCWS water and sewer systems.

On May 30, 2023, Confluence filed a *Motion to Consolidate*, and on June 12, 2023, the Commission issued its *Order Granting Motion to Consolidate and Order Directing Filing*, which ordered Staff to file its recommendation by July 12, 2023. Staff filed a *Motion for Extension* on July 11, 2023. On July 12, 2023, the Commission issued its *Order Granting Motion for Extension* and set a final date for the Staff Recommendation of September 12, 2023.

The Application was docketed in two separate cases, Case Nos. WA-2023-0398 and SA-2023-0396, which the Commission consolidated, with Case No. WA-2023-0398 being designated the lead case. No parties sought to intervene in the case, and no public comments have been submitted.

## **BACKGROUND OF CONFLUENCE**

Confluence is a Missouri corporation with its principle office and place of business at 1630 Des Peres Rd., Suite 140, St. Louis, MO 63131, and is a public utility subject to the jurisdiction of the Commission. According to the application, Confluence is currently providing water service to approximately 4,400 customers and sewer service to approximately 4,600 customers in the State of Missouri. However, as of January 31, 2023, Confluence provides service to approximately 4,830 water connections and 5,053 sewer connections in the State of Missouri.<sup>1</sup> In recent years, Confluence has acquired several existing small water and sewer systems and continues to do so.

Confluence is a subsidiary of Central States Water Resources, Inc. (“CSWR”), which entered into a Purchase and Sale Agreement (“Agreement”) with LCWS on November 18, 2022 to purchase the water and sewer systems for \*\* [REDACTED] \*\*.

## **BACKGROUND OF LCWS**

LCWS is a limited liability company formed on March 19, 2018 and is in good standing with the Missouri Secretary of State. On January 14, 2019, LCWS filed a *Notice of Intended Case* to request a CCN. The application was never submitted and a *Renewal Notice for an Intended Case* was filed on July 8, 2019.<sup>2</sup> The file was closed on December 31, 2019 after an application for a CCN was never filed by LCWS. As a result, LCWS is not regulated by the Commission. LCWS provides water and sewer services to approximately 434 residential customers, consisting of approximately 129 mobile homes, 21 single family homes, 222 apartments, and 62 townhomes, in the Quail Run subdivision. Quail Run is located in Lincoln County, a few miles south of Moscow Mills, Missouri. Per the 21 Design Group (“21 Design”) engineering memorandums prepared for CSWR, while the subdivision is not fully built out, when complete there will be 750 connections within the distribution system including: 251 mobile homes, 22 single family homes, 62 town homes, 222 apartment units, and 193 more apartments in a second phase.

## **STAFF’S INVESTIGATION**

Staff investigated the condition of the water and sewer systems, including their performance and compliance with drinking water and environmental regulations. Staff reviewed information from Department of Natural Resources (“DNR”) records, including operating permit, inspections, notices of violation (“NOV”s), and letters of warning (“LOW”s). Staff also reviewed engineering memorandums prepared for CSWR by 21 Design in May of 2023.

Staff performed on-site inspections of the water and sewer systems on June 13, 2023. These inspections included a review of the current condition of each system and a discussion with

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<sup>1</sup> General Rate Case No. WR-2023-0006, Direct Testimony Paul K. Amenthor, page 3, lines 6 – 8.

<sup>2</sup> Case Nos. WA-2019-0201, SA-2019-0202, WA-2020-0003, and SA-2020-0004.

Confluence's personnel on proposed capital improvements. Staff agrees with Confluence that these systems will require repairs and improvements.

Confluence's preliminary cost estimates are provided by 21 Design and are included in this memorandum for informational purposes only. Staff will review all investments and the actual costs for all repair and improvements during a future rate case to be filed by Confluence.

### **Water System**

Water for the system is produced by two deep wells constructed in the early 2000's. Disinfection accomplished with the addition of sodium hypochlorite (chlorine). Well #1 is located just west of the standpipe behind 571 Blue Bunting Circle, with a 1,200 foot depth and a capacity of 135 gallons per minute ("gpm"). An existing building houses a pump control panel, disinfection system, master meter, pressure gauge and some storage space for materials.<sup>3</sup>

The building is also used as a leasing office with a center wall separating the two different functional areas. Confluence has not yet determined whether a stand-alone building would be constructed for the disinfection system if a CCN is approved by the Commission, but has indicated an option to relocate a building currently used for chemical storage as the preferred approach.<sup>4</sup> A memo from Confluence's consulting engineer suggests Confluence is proposing to purchase the existing building that houses the leasing office and the disinfection equipment, rather than rent the portion of the building that is presently supporting the utility operation.<sup>5</sup> However, in response to Staff Data Request No. 0029, Confluence stated that they "will not necessarily purchase the identified building". Rental space leased to a non-company entity would not be considered a prudent investment, if Confluence is purchasing the building and becoming a landlord then Confluence will have to provide additional information as part of a future rate case if they would like for some portion of this building's depreciated value to be added to Staff's rate base calculation. At this time, Staff has not included the building in its rate base calculation.

Well #2 is located approximately 200 feet further to the north, with a 1,220 foot depth and a capacity of 125 gpm. Both wells have 6-inch diameter steel casings and operate under DNR permit number MO 6031327.

Storage and pressure for the system are provided by a standpipe storage tank that has an approximate capacity of 300,000 gallons, which was designed to provide disinfection contact time, and should have adequate storage for the subdivision when full build-out is achieved. While the standpipe has received some previous repair at some point in the past, it is in need of additional repair and restoration to include rust removal and coating. A significant investment is necessary and, according to the engineering memorandums provided by the Confluence engineering

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<sup>3</sup> 21 Design Engineering Memorandums, requested during on-site visit and provided through email.

<sup>4</sup> Staff Data Request No. 0029.

<sup>5</sup> 21 Design Engineering Memorandums, requested during on-site visit and provided through email.

consultant, a decision will need to be made regarding the option to rehabilitate the existing storage tank versus replacement with a new storage tank at an estimated additional \$500,000 over estimated rehabilitation cost. Either the existing standpipe should be rehabilitated or a replacement constructed within three years. Flushing hydrants are installed along the distribution system that is sized with 8” mains.

### **Proposed Water System Investments**

A summary of proposed investments for the water system is as follows:

- Installation of a remote monitoring system equipped with pressure transducer and magnetic flow meters for the wells;
- Sandblast, paint and coat the exterior of the existing standpipe; repair any damage as necessary following inspection (if not constructing new standpipe);
- Replace valves as necessary, following investigation;
- Install additional flushing hydrants as necessary along the distribution system; and,
- Repair and maintenance of the building that currently houses disinfection and pump control equipment, if the company does not choose to install a new dedicated building for these functions.

The estimated costs for the water system improvements is \*\* [REDACTED] \*\*. However, if a replacement standpipe decision is made, this estimate rises to \*\* [REDACTED] \*\*. The replacement estimate includes removal and temporary tankage needed to complete construction.

### **Sewer System**

The sewer system is comprised of a collection system with a combination of gravity flow and force mains that convey to a three-cell, baffled, fine bubble diffusion aerated lagoon with chlorination and dechlorination prior to outfall discharge. The majority of the piping is 8” PVC and there is a lift station at the southeast corner of the service area. The facility operates under DNR permit number MO-0126381. According to the permit, last modified March 1, 2020 and with an expiration date of December 31, 2023, the design flow for this sewer system is 130,000 gallons per day (“gpd”), the adjusted design flow is 29,999 gpd, and the actual flow is 11,250 gpd. The collection system is reported at 0.95 miles of piping.

Among the DNR records reviewed was a letter from LCWS to DNR dated August 25, 2022. In that letter, a thorough explanation was provided in response to Letters of Warning received for exceeding effluent limitations for ammonia. LCWS explained that while the aeration equipment installed for the lagoon had demonstrated success in achieving compliance for most of the exceedances, ammonia limits had not been met, and LCWS proposed the addition of a moving bed biofilm reactor (“MBBR”) as a final path to compliance that could be achieved by the end of 2023.

Subsequently, LCWS and CSWR entered into a Purchase and Sale Agreement on November 18, 2022 which, if a CCN is granted by the Commission, would remove the responsibility from the seller. While MBBR has been a proven technology for meeting ammonia limits, during the inspection, Confluence engineers discussed the option of enhancing the current aeration system as a possible lower cost alternative for meeting ammonia limits. If an enhanced aeration system is unable to meet ammonia limits within two years, MBBR, or another equivalent technology should be constructed within three years.

### **Proposed Sewer System Improvements**

A summary of proposed investments for the sewer system is as follows:

- Significant berm repair with rip rap placement,
- Installation of an ultrasonic level transducer for flow measurement as well as remote monitoring,
- Installation of a manual transfer switch for emergency portable generator use,
- Replacement of portions of existing fencing and clearing of vegetation,
- Additional blowers and piping for increased aeration,
- New and existing control panels improved with variable frequency drives, and
- Addition of a recycle airlift from the 3<sup>rd</sup> to the 1<sup>st</sup> cell of the lagoon.

The estimated costs for the sewer system improvements is \*\* [REDACTED] \*\*.

### **Rate Base**

Confluence did not attempt to estimate a rate base for the LCWS Quail Run systems. Therefore, Staff's Auditing Department reviewed invoices for the original purchases of plant, Confluence's Application, and Confluence's work paper to assist in developing a rate base.<sup>6</sup>

Based upon Staff's analysis, the net book value of assets (rate base) proposed to be purchased from LCWS by Confluence as of June 30, 2023 is \$1,227,439 for the water system and \$1,044,673 for the sewer system, for a total of \$2,272,112. Additionally, there are no Contributions in Aid of Construction ("CIAC") for either the water or sewer system.

The following is a breakdown of the rate base components:

|                            | Water       | Sewer       |
|----------------------------|-------------|-------------|
| Plant in Service           | \$1,389,056 | \$1,095,724 |
| Less: Depreciation Reserve | \$161,617   | \$51,051    |
| Net Rate Base              | \$1,227,439 | \$1,044,673 |

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<sup>6</sup> Staff Data Request No. 0016.

According to the Application, the proposed purchase price of the system \*\* [REDACTED] \*\* which is above Staff's rate base calculation. Ratemaking treatment that includes the value of the rate base is not determined in a CCN case. Staff will evaluate the rate base for this system in Confluence's subsequent rate case filing and consider any additional supporting documentation of the assets it receives from Confluence.

### **Depreciation**

Subject to the Commission's approval, Staff recommends the use of the water and sewer depreciation rates in Exhibit A of the Unanimous Partial Stipulation and Agreement filed in the current Confluence rate case, Case No. WR-2023-0006, and included as Attachment C to this Memorandum.

### **Publicity and Customer Notice**

According to information provided to Staff, Confluence is not aware of any notifications or meetings held by LCWS to inform its Quail Run residents of the proposed acquisition.<sup>7</sup> As LCWS is the current water provider and Confluence will not receive customer information until closing, responsibility for such communications would lie with LCWS.

### **Customer Service and Billing**

Customers may contact Confluence's customer service department by calling the toll-free phone number 866-946-3920 or by sending an email to customer service. There is also a toll-free phone number available for emergency calls. The emergency number, the website, and email are available 24/7. According to Confluence, this information is provided on the customer brochure, the website, and in all written materials sent to customers. Confluence's main office is located at 1630 Des Peres Road, Suite 140, St. Louis, MO 63131 and is open Monday through Friday from 8:00am to 5:00pm. The main office's customer service personnel are also available to be contacted after hours for escalated emergency calls.

Confluence will offer payment options including check, money order, cashier's check, debit card, credit card, e-check, Apply Pay, Google Pay, and PayPal Cash. Customers may mail in a check/money order as payment or they may pay directly online.

In order to incorporate LCWS Quail Run customers into its billing and customer service systems, it will be necessary for Confluence to properly enter the appropriate customer information into its systems and apply the Commission approved rates.

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<sup>7</sup> Staff Data Request No. 0017.

### **Rate and Tariff Matters**

Confluence is proposing to adopt the rules and regulations contained within its current Commission approved water and sewer tariffs, MO P.S.C. No. 12 and MO P.S.C. No. 13, respectively.

Confluence is also proposing to adopt the current LCWS contractual rate for LCWS customers, as outlined below:

Water – Flat Rate of \$17.50 per month  
Sewer – Flat Rate of \$17.50 per month

Property survey and other documentation received from Confluence following inspections of the systems indicate the proposed water and sewer service area covers approximately 106 acres. Per Staff's request, the documents received included revised Service Area Map and Legal Description that were edited to remove unnecessary notes that were found on the versions filed with the Application, and to show proximity to highway. The identification of landmarks and highways provides easier identification of the proposed service area within its general community. This revised map is included with this memorandum as Attachment A and the legal description as Attachment B. Also, the table of contents and any corresponding tariff sheets, in both Confluence's water and sewer tariffs will need to be updated to reflect the addition of new and/or revised sheets containing the service area map, legal description, system rates and system charges.

Staff recommends that after approval but before Confluence closes on the utility assets, Confluence submit the new or revised water and sewer tariff sheets such that they may become effective on or before the date Confluence closes on the LCWS Quail Run assets.

### **Financial Analysis**

Staff investigated whether Confluence has the financial ability to acquire all or substantially all of the water and sewer system assets of the currently unregulated systems of LCWS and upgrade, own, operate, maintain, or otherwise control and manage said system. The purchase cost of the acquisition is \*\* [REDACTED] \*\* with a total project cost of \*\* [REDACTED] \*\*. <sup>8</sup> Confluence states that it has, "through the financial expertise of its parent company, the financial strength and resources necessary to make expenditures and investments required to maintain the systems." <sup>9</sup>

Confluence indicated that the purchase price of \*\* [REDACTED] \*\* will be funded by equity of their parent company, CSWR, while the remaining project cost would be funded by both debt and equity. <sup>10</sup> Confluence indicated, "debt would be sourced by Confluence Rivers and equity would

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<sup>8</sup> Appendix C and F-C, The Application.

<sup>9</sup> Paragraph 19, The Application.

<sup>10</sup> Staff's Data Request No. 0006.

be provided by its parent company”.<sup>11</sup> Further review of Confluence’s pro forma financial statements indicate that the total anticipated cost of the project stems from equity infusions by their parent company, CSWR, as well as money borrowed from CSWR.<sup>12</sup> Given the fact that the funding for this acquisition is coming from Confluence’s parent company, Staff reviewed the current financial and business risk profile of both companies as well as the effect this project will have on their credit quality.

While neither Confluence nor CSWR are publicly traded, a review of Confluence’s and CSWR’s financial ratios shows debt to capital ratios of \*\* [REDACTED] \*\* and \*\* [REDACTED] \*\*, respectively with minimal change in the pro forma.<sup>13</sup> These ratios indicate that Confluence has a Highly Leveraged financial risk while CSWR has a Minimal Financial risk.<sup>14</sup> Additionally, both companies report negative ratios for both Funds from Operations (“FFO”) to Debt as well as Debt to Earnings before Interest, Taxes, and Depreciation/Amortization (“EBITDA”). These ratios have been consistently negative, with a couple of exceptions for Confluence Rivers 2021 and Q1 2022 Debt to EBITDA ratios.<sup>15</sup> Negative financial ratios are nonsensical in nature as these ratios are typically positive<sup>16</sup> and due to that reason are unable to truly reflect the financial position of the companies. The negative ratios for FFO/Debt and Debt/EBITDA for both companies result from FFO and EBITDA themselves being negative numbers. The negative FFO in the FFO/Debt ratio indicates that operations earnings are not enough to cover debt expenses. A negative EBITDA typically indicates poor cash flow and in the Debt/EBITDA ratio would indicate earnings are not exceeding debt.

Confluence has an average annual five-year projected capital expenditure of \*\* [REDACTED] \*\*, <sup>17</sup> while CSWR shows an average annual five-year projected capital expenditure of \*\* [REDACTED] \*\*. <sup>18</sup> The total cost of this acquisition appears to be more than four times greater than the average of Confluence’s anticipated five-year capital expenditures, while it is roughly less than 5% of CSWR’s projected capital expenditures.<sup>19</sup>

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<sup>11</sup> Confluence’s response to Data Request No. 0006.2.

<sup>12</sup> According to Confluence’s response to Data Request No. 0002.1, this money is classified by Confluence as “Payable to Associated Companies” on its balance sheet. Though it is recorded in the Long-Term Liabilities section of Confluence’s balance sheet, this amount has no “repayment, interest or other financing terms” as discussed in response to Data Request No. 0007.3 in case WF-2023-0023. Confluence additionally considers this amount as equity in its debt to capital ratios.

<sup>13</sup> Confluence’s response to Data Request No. 0003.

<sup>14</sup> S&P’s Ratings Services, RatingsDirect, “Criteria Methodology: Business Risk/Financial Risk Matrix Expanded”

<sup>15</sup> Confluence’s response to Data Request No. 0003.

<sup>16</sup> FFO/Debt ratios typically range from less than 12 for “Highly Leveraged” risk companies to greater than 60 for “Minimal” risk companies. Debt/EBITDA typically ratios range from less than 1.5 for “Minimal” risk companies to greater than 5 for “Highly Leveraged” risk companies.

<sup>17</sup> Confluence’s response to Data Request No. 0005.

<sup>18</sup> Confluence’s response to Data Request No. 0183 as a part of Case No. WR-2023-0006.

<sup>19</sup> The percentage of the total acquisition cost (\*\* [REDACTED] \*\*) from the average five year capital expenditure provided by Confluence in case WR-2023-0006 (\*\* [REDACTED] \*\*).



A review of Confluence's and CSWR's Balance Sheets show that the companies have \*\* [REDACTED] \*\* and \*\* [REDACTED] \*\* in cash, respectively.<sup>20</sup> Additional reviews of both companies' financials show that historically, both companies have also had cash available if needed and that this acquisition does not greatly affect either companies' financial statements.<sup>21</sup> Despite this, Confluence and CSWR both report consistently negative "Net Income" from 2020 to current as well as in the pro forma.

In recent years, the water and sewer sector, "has experienced an expansion in the geographic footprint of transactions and diversity in the acquirers of water and wastewater systems nationwide. Given sector demographics, the lion's share of water utility acquisition activity will continue to stem from the acquisition of financially challenged, small private systems and municipal utility systems by the largest investor-owned utilities."<sup>22</sup> A review of the CCN cases filed by Confluence during fiscal year 2023<sup>23</sup> shows that in that fiscal year alone, Confluence filed nine CCN cases, including this one, with five of them being joint sewer and water cases.<sup>24</sup> Furthermore, from July 1, 2023 to the date, Confluence filed two CCN cases.<sup>25</sup> This indicates that Confluence has a fairly aggressive business practice, but larger companies acquiring smaller financially challenged water and sewer systems appears to be on par with other companies nationwide.

While Staff has concerns regarding Confluence's highly leveraged financial risk profile, their debt to capital ratio improves significantly in the pro forma.<sup>26</sup> Additionally, the projected total cost of this acquisition will be provided by CSWR and is less than 5% of CSWR's projected capital expenditures; CSWR has a Minimal financial risk profile that is mostly unchanged by this transaction; and the total acquisition cost is less than 15% of CSWR's cash available.<sup>27</sup> Given this information, Staff does not have any evidence that CSWR cannot provide the necessary support needed by Confluence to acquire, upgrade, own, operate, maintain, and otherwise control and manage the LCWS water and sewer systems. Staff concludes that the acquisition is financially feasible.

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<sup>20</sup> Confluence's response to Data Request No. 0002 and No. 0002.1.

<sup>21</sup> Confluence's response to Data Request No. 0001, No. 0002, and No. 0002.1.

<sup>22</sup> S&P Capital IQ Pro, Financial Focus, "Water utility transactions trickle in while long-term demand remains elevated", published July, 14, 2023.

<sup>23</sup> Fiscal year 2023 went from July 1, 2022 to June 30, 2023.

<sup>24</sup> These Cases include: WA-2023-0003, WA-2023-0026/SA-2023-0027, WA-2023-0092/SA-2023-0093, SA-2023-0187, SA-2023-0215, WA-2023-0284/SA-2023-0285, WA-2023-0398/SA-2023-0396, SA-2023-0437, and WA-2023-0450/SA-2023-0451.

<sup>25</sup> These cases include: WA-2024-0048 and SA-2024-0049.

<sup>26</sup> Confluence's response to Data Request No. 0003.1.

<sup>27</sup> Confluence's response to Data Request No. 0006 and No. 0006.2.

### **Technical, Managerial, and Financial Capacity and Tartan Energy Criteria**

Staff utilizes the concepts of Technical, Managerial, and Financial capacities (“TMF”) in studying applications involving existing water and/or sewer systems. Staff has reviewed and stated its position on the TMF capacities regarding each of Confluence’s affiliates in previous CCN and transfer of assets cases before the Commission. Staff’s position on Confluence’s ability to meet TMF criteria remains positive regarding those affiliates, and similarly takes the position that Confluence has adequate TMF capacity in this case. It is Staff’s position that Confluence has the ability to secure funding, to oversee construction of any necessary upgrades or repairs, and the ability to manage operations of the LCWS’s utility systems.

When considering a request for a new CCN, the Commission applies criteria originally developed in a CCN case filed by the Tartan Energy Company and referred to now as the “Tartan criteria.” The Tartan criteria contemplate 1) the need for service; 2) the utility’s qualifications; 3) the utility’s financial ability; 4) the economic feasibility of the proposal; and 5) promotion of the public interest. Similar to the TMF capacities, in previous CCN cases Staff investigated these criteria and that investigation relates to this proposed acquisition. The results of Staff’s investigation are outlined below:

#### **(1) Need for Service**

There is both a current and future need for water and sewer service, as the existing LCWS customer base has both a desire and need for service.

#### **(2) Applicant’s Qualifications**

Confluence is an existing water and sewer corporation and public utility subject to the jurisdiction of the Commission. As of January 31, 2023, Confluence provides service to approximately 4,830 water connections and 5,053 sewer connections throughout Missouri.<sup>28</sup> Confluence is a subsidiary of CSWR.

#### **(3) Applicant’s Financial Ability**

Confluence has the financial capacity to acquire this system through access to capital from its parent company. This purchase is being made with a capital infusion and as a result, the purchase does not have a negative impact on the purchaser’s capital structure or financial ratios.

#### **(4) Feasibility of the Proposal**

Confluence anticipates no need for additional external financing to complete this acquisition, and has demonstrated over numerous years that it has adequate resources to operate utility systems it

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<sup>28</sup> General Rate Case No. WR-2023-0006, Direct Testimony Paul K. Amenthor, page 3, lines 6 – 8.

owns, to acquire new systems, to undertake construction of new systems and expansions of existing systems, and to plan and undertake capital improvements.

#### **(5) Promotion of the Public Interest**

Staff finds the proposed transaction promotes the public interest. The current owner has failed to properly operate and maintain the sewer system. This will be resolved by Confluence purchasing the system and making the appropriate improvements. As a result, the customers will be better served by Confluence as the operator of the water and sewer systems, and will more likely be provided with safe and adequate service, provided that Confluence completes upgrades and repairs in a timely manner as described in the conditions below.

#### **OTHER ISSUES**

LCWS is currently listed as an active Limited Liability Company with the Missouri Secretary of State.

As an uncertificated water and sewer operation, LCWS has no outstanding annual assessment obligations due to the Commission, and it has no pending actions before the Commission.

Confluence is a corporation that is in good standing with the Missouri Secretary of State.

Confluence is current with annual report filings with the Commission through calendar year 2022, as documented on the Commission's Electronic Filing and Information System ("EFIS").

Confluence is current on its annual assessment quarterly payments.

Confluence has other pending cases before the Commission, but none that would impact this decision.

#### **STAFF RECOMMENDATION**

Staff recommends the Commission find that Confluence has complied with the requirements of Section 393.320, RSMo, and approve Confluence's request for CCN, subject to the following conditions and actions:

1. Grant Confluence a CCN to provide water and sewer service in the proposed LCWS service areas, as outlined herein;
2. Approve existing LCWS water and sewer rates for the LCWS systems;
3. Require Confluence to submit tariff sheets, to become effective before closing on the assets, to include a service area map, service area written description, rates and charges to be included in its EFIS tariffs P.S.C. MO No. 12 and 13, applicable to water and sewer service, respectively;

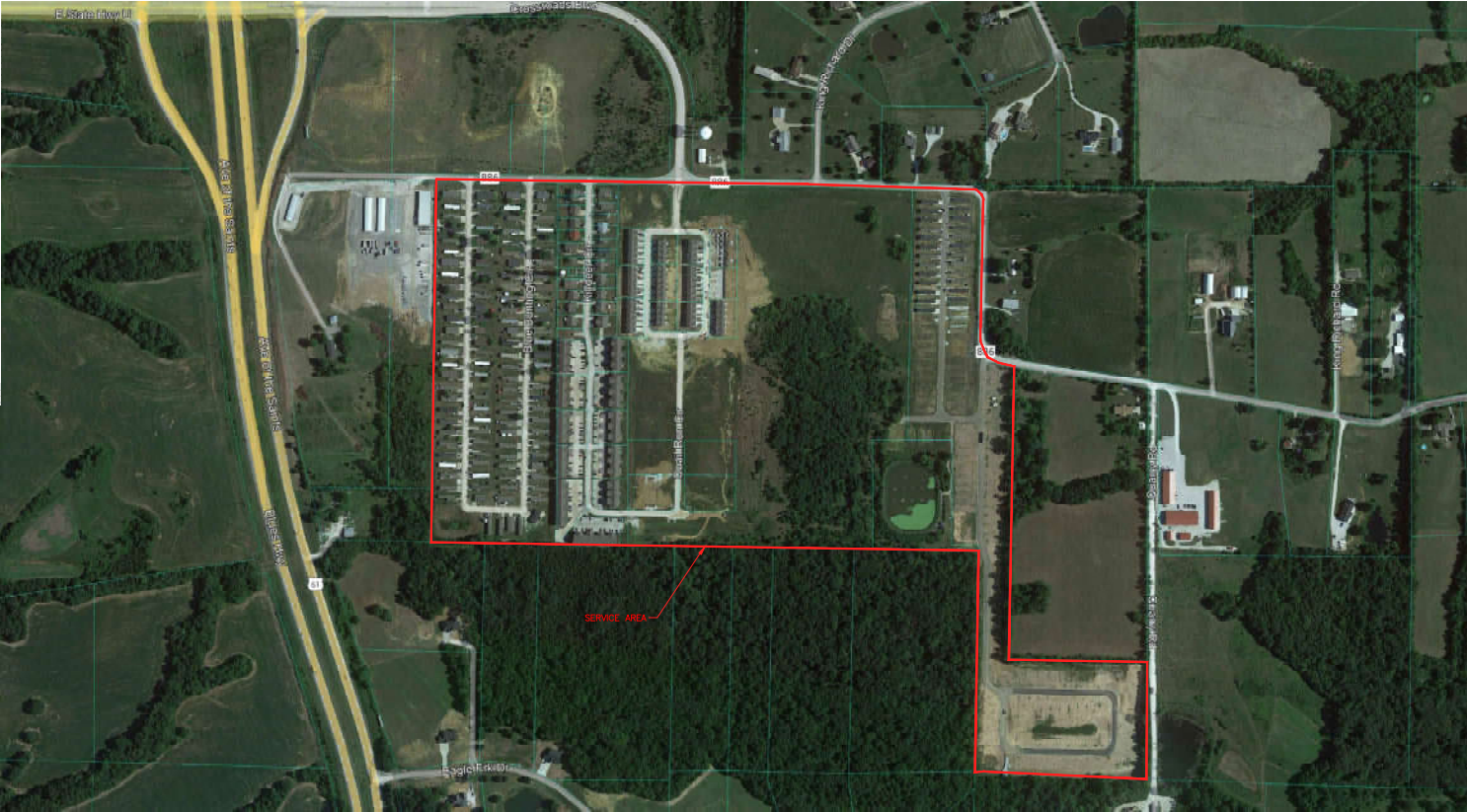
4. Require Confluence to notify the Commission of closing on the assets within five (5) days after such closing;
5. If closing on the water and sewer system assets does not take place within thirty (30) days following the effective date of the Commission's order approving such, require Confluence to submit a status report within five (5) days after this thirty (30) day period regarding the status of closing, and additional status reports within five (5) days after each additional thirty (30) day period, until closing takes place, or until Confluence determines that the transfer of the assets will not occur;
6. If Confluence determines that a transfer of the assets will not occur, require Confluence to notify the Commission of such no later than the date of the next status report, as addressed above, after such determination is made, and require Confluence to submit tariff sheets as appropriate that would cancel service area maps and descriptions applicable to the LCWS service area in its water and sewer tariffs, and rate and charges sheets applicable to customers in the LCWS service area in both the water and sewer tariffs;
7. Require Confluence to keep its LCWS financial books and records for plant-in-service and operating expenses in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts;
8. Require Confluence to adopt the depreciation rates agreed to in Confluence's current rate case, Case No. WR-2023-0006;
9. Require Confluence to provide training to its call center personnel regarding rates and rules applicable to LCWS customers;
10. Require Confluence to distribute to LCWS customers an informational brochure detailing the rights and responsibilities of the utility and its customers consistent with the requirements of Commission Rule 20 CSR 4240-13, within thirty (30) days of closing on the assets;
11. Require Confluence to provide to the Customer Experience Department ("CXD") Staff an example of its actual communication with LCWS customers regarding its acquisition and operations of the water, and how customers may reach Confluence, within ten (10) days after closing on the assets;
12. Require Confluence to include LCWS customers in its established monthly reporting to the CXD Staff on customer service and billing issues, on an ongoing basis, after closing on the assets;
13. Require Confluence to provide to the CXD Staff a sample of five (5) billing statements from the first three month's billing for LCWS Quail Run within ten (10) days of the billings;

14. Require Confluence to file notice in this case outlining completion of the above-recommended training, customer communications, notifications and billing within ten (10) days after such communications and notifications;
15. Require Confluence to rehabilitate the existing elevated storage tank or replace with new construction within three years;
16. Require Confluence to repair the lagoon berm within the first year. These repairs will include regrading, filling, and seeding the disturbed areas, as well as placing rip-rap around the inside of the lagoon banks to prevent erosion; and,
17. Require Confluence to install additional treatment for ammonia within three years if proposed aeration enhancement is not successfully achieving ammonia limits within two years.

**ATTACHMENTS:**

- A. Service Area Map
- B. Legal Description
- C. Depreciation Rates

**SERVICE AREA MAP  
QUAIL RUN  
(WATER & WASTEWATER)  
LINCOLN COUNTY, MO**



## Quail Run MO Service Area Description

The area served is part of Lincoln County, Missouri and is more particularly described as follows:

Beginning at the southwest corner of the Southeast Quarter of Section 21, Township 48 North, Range 1 East; thence Northerly along the west line of said Southeast Quarter of Section 21, 1018.13 feet, more or less; thence leaving the west line of said Southeast Quarter of Section 21, N89°15'29"W 2450.48 feet, more or less; thence N0°28'26"E 1631.12 feet, more or less to the centerline of Mette Road (County Road #886); thence along said centerline of Mette Road, Easterly 2444.10 feet, more or less; thence continuing along said centerline of Mette Road, Southerly 774.55 feet, more or less; thence continuing along said centerline of Mette Road, Easterly 146.79 feet, more or less; thence leaving said centerline of Mette Road, S0°17'32"W 1333.52 feet, more or less; thence N89°31'19"E 616.35 feet, more or less; thence S0°31'23"E 557.51 feet, more or less to the south line of said Southeast Quarter of Section 21; thence along the south line of said Southeast Quarter of Section 21, Westerly 769.70 feet to the point of beginning, containing 106.15 acres, more or less.

**Confluence Rivers Utility Operating Company**  
**SCHEDULE of DEPRECIATION RATES, WATER Class A**  
**WR-2023-0006**

| ACCOUNT NUMBER                               | ACCOUNT DESCRIPTION                      | DEPRECIATION RATE |
|--|--|-------------------|
| <b>SOURCE OF SUPPLY</b>                      |  |                   |
| 311  | Structures & Improvements                | 2.5%              |
| 312  | Collection Reservoirs                    | 2%*               |
| 314  | Wells & Springs                          | 2.0%              |
| 316  | Supply Mains                             | 2%*               |
| 317  | Other Water Source Plant                 | 5.0%              |
| <b>PUMPING PLANT</b>                         |  |                   |
| 321  | Structures & Improvements                | 2.5%              |
| 323  | Other Power Equipment                    | 4%*               |
| 325  | Electric Pumping Equipment               | 10.0%             |
| 325.1  | Electric Submersible Pumping Equipment   | 10.0%             |
| 325.2  | High Service or Booster Pumping Equip.   | 6.7%              |
| 328  | Other Pumping Equipment                  | 4%*               |
| <b>WATER TREATMENT EQUIPMENT</b>             |  |                   |
| 331  | Structures & Improvements                | 2.5%              |
| 332  | Water Treatment Equipment                | 2.9%              |
| <b>TRANSMISSION &amp; DISTRIBUTION MAINS</b> |  |                   |
| 341  | Structures & Improvements                | 2.5%              |
| 342  | Distribution Reservoirs & Standpipes     | 2.5%              |
| 343  | Transmission & Distribution Mains        | 2.0%              |
| 344  | Fire Mains                               | 1.56%*            |
| 345  | Customer Services                        | 2.5%              |
| 346  | Customer Meters, Bronze (Calibrate)      | 3.3%              |
| 346.1  | Customer Meters, Plastic (Throw Aways)   | 10.0%             |
| 347  | Customer Meter Pits & Installation       | 2.5%              |
| 348  | Hydrants                                 | 2.0%              |
| <b>GENERAL PLANT</b>                         |  |                   |
| 390  | Structures & Improvements                | 2.5%              |
| 391  | Office Furniture & Equipment             | 5.0%              |
| 391.1  | Office Electronic & Computer Equip.      | 20.0%             |
| 392  | Transportation Equipment                 | 13.0%             |
| 393  | Other General Equipment/Stores Equipment | 10%*              |
| 394  | Tools/Shop/Garage Equip.                 | 6.7%*             |
| 395  | Lab Equipment                            | 5%*               |
| 396  | Power Operated Equipment                 | 6.7%*             |
| 397  | Communication Equipment                  | 6.7%*             |
| 398  | Miscellaneous Equipment                  | 6.43%*            |

\*Designates a rate proposed in this case, rather than a rate ordered by the Commission in a previous



**Confluence Rivers Utility Operating Company**  
**SCHEDULE OF DEPRECIATION RATES, SEWER Class A**  
**WR-2023-0006**

| ACCOUNT NUMBER                        | ACCOUNT DESCRIPTION                      | DEPRECIATION RATES |
|---------------------------------------|--|--------------------|
| <b>COLLECTION PLANT</b>               |  |                    |
| 351                                   | Structures & Improvements                | 4.0%               |
| 352.1                                 | Collection Sewers (Force)                | 2.0%               |
| 352.2                                 | Collection Sewers (Gravity)              | 2.0%               |
| 353                                   | Services                                 | 2.0%               |
| 355                                   | Flow Measurement Devices                 | 3.3%               |
| <b>PUMPING PLANT</b>                  |  |                    |
| 361                                   | Structures & Improvements                | 4.0%               |
| 362                                   | Receiving Wells                          | 4.0%               |
| 363                                   | Electric Pumping Equipment               | 10.0%              |
| 365                                   | Other Pumping Equipment                  | 4.31%*             |
| <b>TREATMENT &amp; DISPOSAL PLANT</b> |  |                    |
| 370.1                                 | Oxidation Lagoons                        | 4.0%               |
| 371                                   | Structures and Improvements              | 4.0%               |
| 372                                   | Treatment & Disposal Facilities          | 5.0%               |
| 372.1                                 | Sewer Collection Tanks                   | 20%*               |
| 373                                   | Plant Sewers                             | 2.5%               |
| 374                                   | Outfall Sewer Lines                      | 2.0%               |
| <b>GENERAL PLANT</b>                  |  |                    |
| 390                                   | Structures & Improvements                | 4.0%               |
| 391                                   | Office Furniture & Equipment             | 5.0%               |
| 391.1                                 | Office Electronic & Computer Equip.      | 14.3%              |
| 392                                   | Transportation Equipment                 | 13.0%              |
| 393                                   | Other General Equipment/Stores Equipment | 10.0%              |
| 394                                   | Tools/Shop/Garage Equip.                 | 5.0%               |
| 395                                   | Lab Equipment                            | 5.0%               |
| 396                                   | Power Operated Equipment                 | 6.7%               |
| 397                                   | Communication Equipment                  | 6.7%               |
| 398                                   | Miscellaneous Equipment                  | 6.43%*             |
| 399                                   | Other Tangible Property                  | 3.00%              |

\*Designates a rate proposed in this case, rather than a rate ordered by the Commission in a previous

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Application of Confluence )  
Rivers Utility Operating Company, Inc., for ) File No. WA-2023-0398  
Certificates of Convenience and Necessity to )  
Provide Water and Sewer Service in an Area of )  
Lincoln County, Missouri (Quail Run) )

**AFFIDAVIT OF ALEXIS L. BRANSON**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW ALEXIS L. BRANSON** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ALEXIS L. BRANSON**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 11<sup>th</sup> day of September 2023.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
\_\_\_\_\_  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of the Application of Confluence    )  
Rivers Utility Operating Company, Inc., for        )  
Certificates of Convenience and Necessity to       )  
Provide Water and Sewer Service in an Area of    )  
Lincoln County, Missouri (Quail Run)            )

File No. WA-2023-0398

**AFFIDAVIT OF ANDREW HARRIS, PE**

STATE OF MISSOURI    )  
                                  )  
COUNTY OF COLE     )        ss.

**COMES NOW ANDREW HARRIS, PE** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ANDREW HARRIS, PE**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12<sup>th</sup> day of September 2023.

|   |
|---|
| D. SUZIE MANKIN<br>Notary Public - Notary Seal<br>State of Missouri<br>Commissioned for Cole County<br>My Commission Expires: April 04, 2025<br>Commission Number: 12412070 |
|---|

  
\_\_\_\_\_  
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

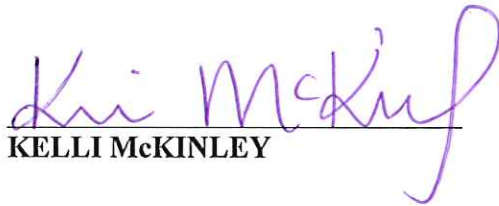
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Certificates of Convenience and Necessity to )  
Provide Water and Sewer Service in an Area of )  
Lincoln County, Missouri (Quail Run) )

**AFFIDAVIT OF KELLI McKINLEY**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW KELLI McKINLEY** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
KELLI McKINLEY

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 11<sup>th</sup> day of September 2023.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Confluence )  
Rivers Utility Operating Company, Inc., for ) File No. WA-2023-0398  
Certificates of Convenience and Necessity to )  
Provide Water and Sewer Service in an Area of )  
Lincoln County, Missouri (Quail Run) )

**AFFIDAVIT OF KERI ROTH**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW KERI ROTH** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
KERI ROTH

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12<sup>th</sup> day of September 2023.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
\_\_\_\_\_  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Application of )  
Confluence Rivers Utility Operating )  
Company, Inc., for Certificates of ) Case No. WA-2023-0398  
Convenience and Necessity to Provide )  
Water and Sewer Service in an Area of )  
Lincoln County, Missouri (Quail Run) )  
)

**AFFIDAVIT OF ASHLEY SARVER**

STATE OF MISSOURI )  
) ss.  
COUNTY OF COLE )

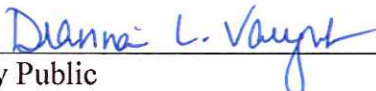
**COMES NOW ASHLEY SARVER**, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ASHLEY SARVER**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 6<sup>th</sup> day of September, 2023.

  
\_\_\_\_\_  
Notary Public



